

Review of Procedures to Prevent
Student Benefit Overpayments
Report No. 98-09, March 24, 1998

Background

The Railroad Retirement Act Section 2(d)(1) provides for the payment of an annuity to survivors of a deceased employee. The employee must have ten years of service and a current connection with the railroad industry.

Annuities are payable to surviving widow(er)s, unmarried children and certain other dependents. Survivor annuities are payable to: (a) a child under age 18 and (b) a child age 18 in full-time attendance at an elementary or secondary school. If a student is in full-time attendance at age 19, benefits remain payable until the earliest of completion of course enrolled when student attains age 19, cessation of full-time attendance, or three months after attainment of age 19. A full-time student is defined as being enrolled for at least 20 hours per week in a course of study lasting at least 13 weeks.

Student benefits averaged \$820 per month for students paid during September 1997. A total of 716 students received benefits at some point during fiscal year 1997. The period of entitlement to student benefits ranges from one month to 15 months.

Field office instruction for handling student cases is located in the Field Office Manual (FOM). Field office employees in the Office of Programs use Form G-315, "Student Questionnaire," to verify full-time student attendance for initial student entitlement. FOM Section 530.15 instructs field office employees to verify attendance every March, September, and December. FOM Section 535.20.1 instructs field office employees to establish controls to review and/or monitor a student case two months before the student graduates or turns age 19.

When eligibility ends, FOM Section 535.15 directs field office employees to complete a termination record on the Field-Address-Suspension-Termination computer system and advise the Office of Programs' Survivor Benefits Division. The termination can be entered up to three months prior to termination.

FOM Section 520.10.3 states that, after a field office employee completes a student case, the field office should send the control file to the Railroad Retirement Board (RRB) headquarters for permanent file documentation. According to FOM Section 520.10.2, the control file consists of all correspondence between the field office and the student, correspondence between the field office and RRB headquarters, and all of the monitoring forms completed by the students and the educational institutions.

Section 2.4.68 of the Retirement Claims Manual states that claims examiners must review student control files after they are received at headquarters.

The outstanding balance for student receivables was \$1.3 million as of December 10, 1997. During fiscal year 1997, the RRB established 64 new student receivables totaling \$138,500.

Scope and Methodology

The objective of the review was to determine the effectiveness of procedures for preventing student benefit overpayments.

We accomplished the objective by:

- C reviewing applicable laws and regulations;
- C reviewing applicable agency procedures;
- C interviewing RRB personnel;
- C reviewing student monitoring and overpayment documents in annuity claim folders;
- C reviewing 83 student cases to determine:
 - overpayment causes for a judgmental sample of 37 of 64 student cases with receivables established for students during fiscal year 1997; and
 - compliance with selected student monitoring procedures for a random sample of 51 of the 716 student benefits paid during fiscal year 1997. Five of these students were also included in the judgmental sample.

We conducted this review in accordance with generally accepted government auditing standards appropriate to the objective described above. Fieldwork was performed during December 1997 through March 1998 at RRB headquarters in Chicago, Illinois.

Results of Review

The procedures for preventing student benefit overpayments are generally effective. However, RRB personnel do not always comply with student monitoring procedures. The RRB could have avoided or reduced 34 overpayments totaling approximately \$81,100 by following procedures. Improvements are needed to ensure compliance with procedures because:

- C Field office monitoring for student cases is often late or not performed.
- C Field office employees did not accurately use student expected graduation dates to terminate benefits in a timely manner.
- C Field office employees did not always document the headquarters claim folders by including forms that are used to establish the entitlement period and the termination date. Also, there is no control in place to identify the cases with missing forms. When the forms are documented and reviewed by headquarters

claims examiners, the review is not always effective because all additional overpayments and underpayments were not identified. In addition, field office employees do not always perform a final monitoring after benefit termination to verify full-time attendance through graduation, age 19, or verify the date the student quit school.

- C Procedures do not require field office employees to conduct personal interviews with new student applicants. In addition, procedures do not require field office employees to personally contact students who were previously paid children's benefits. Without direct contact, the student may not understand all his or her responsibilities and the resulting consequences.
- C Outdated procedures direct field offices to maintain a signature file for school officials. Time spent performing this task may be used more efficiently for other responsibilities.

Descriptions of these areas are discussed on the following pages.

Timeliness of Student Monitoring

For 50 of the 83 student cases reviewed, field office employees missed or were late in monitoring a student one or more times. The untimely and/or missed monitoring resulted in 23 overpayments totaling \$56,800 that could have been avoided or reduced.

Procedures require field office employees to verify school attendance three times a year and to review and/or monitor a student case two months before the student graduates or attains age 19.

Some field service employees indicated that they did not monitor student cases as instructed for various reasons including: 1) reassigning cases because of high employee turnover rates, 2) monitoring twice a year instead of three times a year, 3) not always maintaining student control files, and 4) not always releasing monitoring forms for graduation and age 19 attainment.

Recommendation

The Director of Programs should ensure that field offices monitor student cases in September, December, March, two months prior to graduation, and age 19 attainment. (Recommendation No. 1)

Management's Response

Management concurred with the recommendation. The target implementation date is June 1, 1998.

Timeliness of Termination Due to Graduation

In 11 of 83 cases, field office employees did not accurately use student expected graduation dates to terminate benefits in a timely manner. These eleven students were overpaid approximately \$24,300.

Procedures require field office employees to terminate student benefits. Terminations can be entered three months in advance. Student benefit entitlement ends on the last day of the month in which the student graduates.

The RRB did not appropriately use student expected graduation dates to timely terminate benefits because field office employees did not enter a termination date, incorrectly calculated the end of entitlement, or processed a termination more than three months prior to end of entitlement.

Recommendation

The Director of Programs should ensure that the Office of Programs uses student expected graduation dates to timely terminate (Recommendation No. 2).

Management's Response

Management concurred with the recommendation. The target implementation date is June 1, 1998.

Monitoring Data Maintained at Headquarters and Quality Assurance Review

Field office employees do not always document student monitoring forms after benefits have been terminated. Field office employees use these forms to determine initial and continuing student entitlement. Claims examiners in headquarters use the forms to determine if an overpayment exists. However, there is no control in place to identify cases with missing monitoring forms. In addition, the review performed by the claims examiners is not always complete because the claims examiners did not discover additional benefits that were payable in one case and an additional overpayment in one case. More of these situations could exist for the cases with missing control files.

Monitoring forms are not always documented in claim folders because field office employees sometimes fail to send the forms to headquarters. Control files are not always established because a field office may not be aware of a student. Since the workload of student cases is smaller than other field office workloads, a contact representative may not have much experience handling these cases. Currently, there is no feedback mechanism in place to advise management of the main causes for student overpayments. Of the \$81,100 in overpayments previously discussed, \$60,800 were detected when the Policy and Systems Section in the Office of Programs reviewed field office control files.

The Policy and Systems Section reviews age 19 terminations to determine the timeliness of termination. This section had to request the control files and final student monitoring forms from the field offices to verify student graduation dates or last dates of full-time attendance. As a result of its review, the Policy and Systems Section issued Procedure Transmittal number 20-97 which provides instructions that may prevent some future overpayments by adjusting, instead of removing, pending student termination dates.

After benefit termination, field office employees did not always perform monitoring to identify a student's actual graduation date, full-time attendance through age 19, or last day of full-time attendance because it is not required by procedures. However, this type of monitoring would enable the RRB to determine the accuracy of all student benefits paid.

Recommendations

The Director of Programs should:

- C Change procedures to require a final monitoring after benefits are terminated to verify full-time attendance through graduation, age 19, or the date the student quit school. (Recommendation No. 3)
- C Develop procedures to identify terminated student cases with missing control files so Office of Programs personnel can request them from the appropriate field office. (Recommendation No. 4)
- C Implement procedures to centralize the review of all student cases and to provide feedback to the field offices. (Recommendation No. 5)

Management's Response

Management concurred with all of the recommendations. The target implementation dates are June 1, 1998 for Recommendation No. 3 and August 3, 1998 for Recommendation Numbers 4 and 5.

Procedural Changes - Add New Procedures

FOM procedures do not require field offices to conduct personal interviews with new student applicants to ensure students are aware of their reporting requirements. In addition, FOM procedures do not require field offices to personally contact students who were previously paid children's benefits. Most student beneficiary cases which we reviewed included previously received children's benefits.

Field office personnel do not usually personally contact a student who previously received child's benefits because the student does not have to file an application. The forms used to determine initial and continued entitlement are usually transmitted by mail among the field offices, the students, and the educational institutions.

Also, the student control file summary sheet (RRB form G-317) does not document personal contact with students.

The Office of Programs established procedures for meeting or telephoning new student applicants based on a prior OIG recommendation. These procedures were removed from the FOM when obsolete application instructions were deleted.

Recommendations

The Director of Programs should:

- C Incorporate procedures into the FOM instructing field office employees to meet with all students, whenever possible, or to contact them by telephone when they initially become entitled to student benefits. The purpose of the personal contact would be to explain the responsibilities that accompany student benefits. (Recommendation No. 6)
- C Modify the student control file summary sheet (RRB Form G-317) to specifically provide a space to document the method of contact with the student and the contact date. An explanation should be provided if personal contact is not made. (Recommendation No. 7)

Management's Response

Management concurred with the recommendations. The target implementation date for both recommendations is August 3, 1998.

Procedural Changes - Remove Old Procedures

Outdated procedures in the FOM direct field offices to maintain a signature file for school officials.

FOM Section 520.10.4 requires comparison of the school officials' signatures on the monitoring form to a master listing of authorized signatures. Field offices used this procedure when the RRB paid college students and the student population was much larger. Currently, the average volume of active student cases is seven per field office.

This FOM section has not been updated. The time spent performing these steps may be used more efficiently by performing other responsibilities.

Recommendation

The Director of Programs should remove out-of-date student procedures from the FOM. (Recommendation No. 8)

Management's Response

Management concurred with the recommendation. The target implementation date is May 1, 1998.